

Life Cycle Certification

Regional Freeway System



July 31,
2007



Arizona Department of Transportation

*Certification of Revenue and Construction Costs
for the*

REGIONAL FREEWAY SYSTEM

July 31, 2007



A handwritten signature in blue ink, reading "Victor M. Mendez".

Victor M. Mendez, Director
Arizona Department of Transportation

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Regional Freeway System

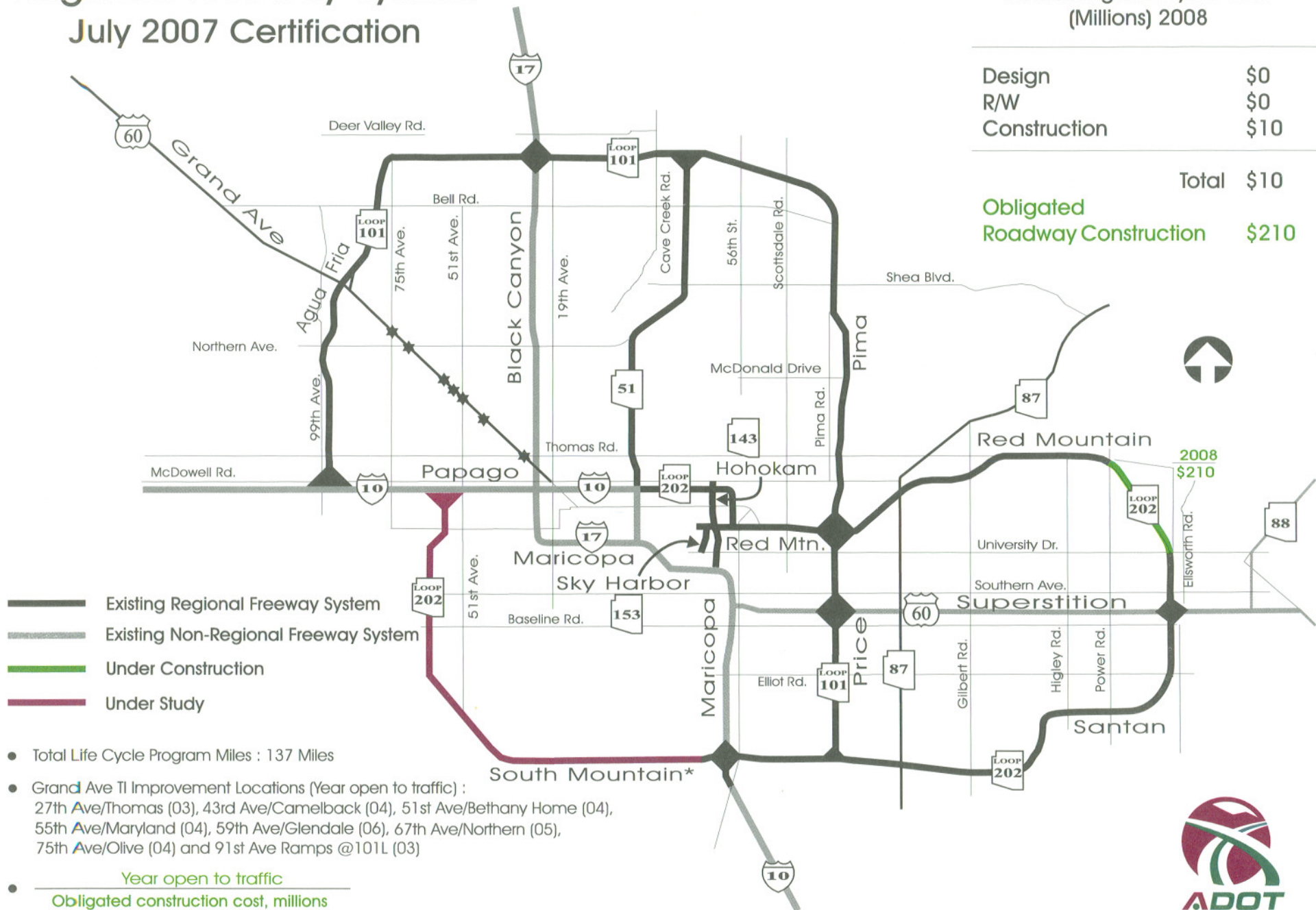
July 2007 Certification

Remaining Life Cycle Cost
(Millions) 2008

Design	\$0
R/W	\$0
Construction	\$10

Total \$10

Obligated
Roadway Construction \$210



Note : This map does not include Proposition 400 projects. The South Mountain and Sky Harbor corridors funding are included in the RTP Freeway Program.

INTRODUCTION AND HISTORY

This semi-annual Regional Freeway System Life Cycle Certification report is prepared in compliance with the 1991 Performance Audit of the Maricopa Association of Governments (MAG) Regional Freeway Program. The report is designed to review the progress of the Regional Freeway System program and identify the projections and changes in program revenues and costs.

The Regional Freeway System is funded by three primary revenue sources: the Maricopa County transportation excise tax (often referred to as the one-half cent sales tax or Regional Area Road Funds), the Arizona Department of Transportation's (ADOT) share of Highway User Revenue Fund (HURF) monies dedicated to Maricopa County for controlled access highways and various other revenues (reflected in the table on page eleven).

The concept of a Life Cycle Program refers to a programming approach that forecasts and allocates funds through the full life of a major funding source. The Life Cycle Program covers the project program through year 2007, and reflects a fiscal balance between anticipated revenues and expenditures. The Life Cycle Program provides the necessary management tools to ensure both ADOT and MAG maintain realistic planning and construction schedules, predicated upon funding, and provide periodic reports to the public and other governmental agencies.

On October 8, 1985, the voters in Maricopa County approved Proposition 300 to establish a one-half cent sales tax for construction of controlled-access highways. These funds are called Regional Area Road Funds (RARF). These controlled-access facilities must be on the MAG Regional Transportation Plan and the State Highway System. The facilities are constructed and maintained by ADOT. In accordance with Arizona Revised Statutes Section 28-6538, ADOT allocates a portion of the Highway User Revenue Fund (HURF) to controlled-access highways in Maricopa County. Also, federal aid funds can be used in connection with construction of certain segments approved for federal funds on the controlled-access system.

Following the passage of Proposition 300 in 1985, ADOT began developing Location Studies and Design Concept Studies to define the specific location and design concepts for all the freeway corridors to be funded with RARF. To expedite the construction of the first segments, design was started on a segment of the Agua Fria Freeway (101L) between Northern Ave. and Bell Rd. and a segment of the Price Freeway (101L) between Southern Ave. and University Dr. Early design and construction continued on the Agua Fria, SR51 and East Papago (now Red Mountain) freeways.

Upon completion of the Design Concept Studies, it was clear that the projected revenues were not sufficient to complete the Regional Freeway System as originally planned in 1985. As a result, the Performance Audit conducted in 1991 made recommendations to improve ADOT's effectiveness in fulfilling its regional freeway program responsibilities.

One recommendation established the Life Cycle Program. The concept of a Life Cycle Program refers to a programming approach that forecasts and allocates funds through the full life of a major funding source. The original Life Cycle Program covered the full period from the beginning of the one-half cent tax in 1986 through 2005, and reflects a fiscal balance between anticipated revenues and expenditures. The Life Cycle Program provides the necessary management tools to ensure both ADOT and MAG maintain realistic planning and construction schedules, predicated upon funding, and provide periodic reports to the public and other governmental agencies. The funded program was scaled back to only reflect those corridors and projects that could reasonably be funded through the life of the program.

In 1995, the plan to complete the Regional Freeway System was modified after the November 1994 defeat of Proposition 400. If passed, Proposition 400 would have imposed a new one-half cent transportation excise tax through 2015 and extended the current one-half cent transportation excise tax an additional ten years (through 2015). Proceeds of the new tax would have been divided equally for freeway and public transportation purposes. In December 1994 a modified plan was developed, often referred to as "the Governor's Plan", that included additional funding from higher sales tax forecasts, a greater allocation of MAG federal funds for freeways and ADOT generated budget savings. The Governor's Plan recommended deletion of certain corridors and corridor segments, proposed higher bonding levels and included corridor scope reductions to lighting, landscaping, structure widths and freeway lanes.

After realizing higher than expected revenues, the MAG Regional Council approved a revised Freeway/Expressway Plan for the Life Cycle Program on November 20, 1996. The plan advanced projects, added a Grand Avenue improvement project at 27th Ave./Thomas Rd., added the west half of the I-10 / Santan / South Mountain TI, restored landscaping, structure widths and lanes, added auxiliary lanes and added a "Set-Aside" project for an interim South Mountain expressway in lieu of a privatization project. The MAG Regional Council also identified funding for a Long-Range Plan (FY 2007 - 2015). Previously unfunded portions of the Red Mountain, Santan, and Sky Harbor freeways were prioritized, and a Grand Avenue improvement project at 43rd Ave./Camelback Rd. was added to create the Long Range Plan for the Regional Freeway System.

In April 1999 the State Legislature passed SB1201 which provided innovative financing alternatives through the Highway Expansion and Extension Loan Program (HELP) to assist in funding the acceleration of the Regional Freeway Program. The Governor, ADOT and MAG developed a strategy to complete the Regional Freeway System by the end of 2007 using these innovative financing alternatives. The "2007 Acceleration Plan" was developed in conjunction with MAG and other local agencies. The MAG Area Life Cycle Construction Program (FY 2000-06) was amended to reflect the acceleration of projects in accordance with the plan. In prior program years, projects that were projected to be funded beyond the Life Cycle period (2000-2006) were shown in the Long Range Plan (2007-2014). The Life Cycle Program no longer shows projects as part of a Long Range Plan, since most of the remaining projects have been accelerated to be completed

in the Life Cycle period ending in 2007. However, most of the proposed South Mountain Freeway remains designated as unfunded.

The 2007 Accelerated Plan is dependent on the following assumptions (These assumptions were originally published in the July 1999 Certification):

Program Scheduling Assumptions:

- Project Delivery System Improved
- Early Completion of General Plans
- Early Acquisition of Right of Way
- Completion of Environmental Corridor Studies
- Consultant and Contractor Resources Available
- ADOT Maintains Core Staff for System Delivery
- No Major Design Changes after 30% Plans are Completed
- Support of Major Stakeholders (Cities, County, Federal Agencies & Utility Companies)
- Availability of Design-Build Contracting

Program Financing Assumptions:

- \$300 Million New State Infrastructure Bank (SIB)/Highway Expansion and Extension Loan Program (HELP) Financing
- \$250 Million of Grant Anticipation Notes (GANs)
- Continued Funding From ADOT Statewide Program
- Continued ADOT and MAG Federal Aid Funding
- Future Vehicle License Tax Initiatives will be Revenue Neutral
- Interest Rates are Stable
- Project Costs Maintained Within Program Inflation Contingency
- No Significant Economic Downturns

The FY 2001-2007 MAG Area Life Cycle Construction Program (approved in June 2000) funds additional features, including many of the features deleted as part of the 1994 Governor's Plan. The added features included in the program are median cable barriers, continuous freeway lighting, auxiliary lanes, FMS infrastructure and restored lanes (4 to 6 lanes) on the Red Mountain Freeway (Power Road to US 60) and on the Santan Freeway (SR 87 to Power Road).

The FY 2001-2007 Life Cycle Construction Program also included the addition of state funding to complete intersection improvements recommended in the Grand Avenue Major Investment Study (MIS), completed in September 1999. Based on the MIS recommendation, eight interchange locations were identified for improvement.

The FY 2003-2007 Life Cycle Construction Program incorporated a cost increase at the US60/202L System Interchange based on the cost estimate from the Design Concept Report (DCR) / Environmental Assessment (EA). The update was needed since this

interchange was originally scoped in the late 1980's. The freeway to freeway system interchange was updated to meet current traffic projections and design standards. Additional revenues to address this cost increase are from state discretionary funds in the FY 2003 – 2007 Program approved by the State Transportation Board.

The FY 2005—2007 Life Cycle Construction Program incorporated a cost increase at the Red Mountain Freeway (202L) from Power Rd. to University Dr. based on the cost estimate from the 30% (Stage II) design plans. The update was needed since this segment was originally scoped in the late 1980's. This segment has been updated to meet current design and environmental standards.

Arizona House Bill 2292, which was passed in the Spring 2003 session of the Arizona Legislature, established the Transportation Policy Committee which was tasked with developing a Regional Transportation Plan for Maricopa County, and established the process for an election to extend the current ½ cent County Transportation Excise Tax. The Regional Transportation Plan includes both new freeway corridors to serve growth in the region and improvements to the existing system to reduce current and future congestion. The Regional Transportation Plan also addresses quality of life issues such as noise mitigation, maintenance, litter control and landscaping. The Regional Transportation Plan has three major components: Freeways/Highways, Transit and Arterial Roads.

On November 2, 2004, voters in Maricopa County approved Proposition 400 to extend the existing half-cent Sales Tax for transportation for an additional twenty years to 2026. The current tax expired December 31, 2005. The extension began January 1, 2006.

Sjoberg Evashenk Consulting, Inc., completed the 2000-2005 Performance Audit on the Maricopa County Regional Freeway System on June 28, 2005. The Auditor's report made six financial and administrative recommendations, which ADOT will implement. Overall the audit reflected that ADOT has managed the Regional Freeway System effectively and delivered the freeway program on schedule and generally within budget.

Publication of the July 2007 Regional Freeway System Life Cycle Certification marks completion of the MAG Regional Freeway System reports. Future ADOT Life Cycle Certification will only contain construction and financial data specific to the Regional Transportation Freeway Program.

A key management tool used for the Life Cycle Program is the development of certified revenues and costs. Certification involves the preparation of reliable cost estimates for the entire MAG system, as well as a forecast of revenues available to fund the system. The costs and revenues are reviewed and certified by ADOT every six months.

This certification of information pertaining to the Regional Freeway Program constitutes the official position of ADOT and is used for all planning and programming purposes. It enhances the information flow to MAG and the public on a periodic basis and allows ADOT to make program adjustments as necessary.

EXECUTIVE SUMMARY

The Director of the Department of Transportation has certified the MAG Area Life Cycle Program of the Regional Freeway System effective July 31, 2007. This certification of the MAG Area Life Cycle Program incorporates the following:

- * December 1994 : Governor's Plan
- * November 1996 : MAG Freeway/Expressway Plan
- * May 1999 : 2007 Acceleration Plan
- * July 2007 : Adopted FY 2007 - 2008 MAG Area Life Cycle Program

Revenue forecasts and construction cost estimates are based on a cutoff date of May 31, 2007.

Major Milestones since Last Certification

- ❑ The Red Mountain Freeway (SR202L) segment from University Drive to Southern Avenue including completion of the US60/SR202L TI was opened to traffic in June 2007.
- ❑ The Red Mountain Freeway (SR202L) from University Dr. to Southern Ave. landscape construction project was advertised in April 2007 and awarded in June 2007.
- ❑ The final roadway construction for the Proposition 300 continues on the Red Mountain Freeway (SR202L) from Power Rd. to University Dr. The estimated completion date is summer 2008.

Revenues

Net funds available through fiscal year 2008 for the Life Cycle Program show a decrease of \$5.8 million from the previous Certification. Details are presented in the "Revenue Projections and Changes" section, page 9.

Program Costs

Obligations for the Life Cycle Program totaled \$37 million since the last Certification in January 2007. The remaining cost to complete the Life Cycle Program changed from \$46 million to \$9 million.

Advanced Projects

The following projects were advanced through local agency participation:

Corridor	Project Location	Current Status	Original Completion Date	Advanced Completion Date	Agency
Price	Warner Rd.– Frye Rd.	Complete	December 2001	December 2000	Chandler
Red Mt.	Country Club Dr.– Gilbert Rd.	Complete	June 2003	January 2002	Mesa
Santan	Santan/I-10 TI, Phase I (Pecos Road Conn.)	Complete	December 2004	February 2002	Phoenix
Red Mt.	Gilbert Rd. – Higley Rd.	Complete	May 2004	January 2003	Mesa
SR 51	Union Hills Dr. – Pima Freeway (101L)	Complete	June 2005	May 2003	Phoenix

**REVENUE PROJECTIONS
AND CHANGES**



Janet Napolitano
Governor

Victor M. Mendez
Director

Arizona Department of Transportation Transportation Services Group

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

John A. Bogert
Chief of Staff

LETTER OF CERTIFICATION

The Financial Management Services Office of the Arizona Department of Transportation (ADOT) has developed the following information describing the estimated funds available for construction of the Regional Freeway System from Fiscal Year 1986 through Fiscal Year 2008. This information updates certain information previously certified on January 31, 2007.

This information is intended primarily for internal planning purposes and requires reliance upon a variety of data and information sources. The revenue forecasts rely upon assumptions regarding future economic conditions and on forecasts of certain independent economic variables. These assumptions may or may not prove to be accurate. If the assumptions do not prove accurate, differences between forecast and actual results may occur.

We believe the results contained herein represent a realistic forecast of Maricopa County transportation excise tax revenues, MAG dedicated highway user revenues and other available monies for the period described above and so certify. However, the Department will continue its practice of reviewing and updating the forecasts as needed on a semi-annual basis.



John E. McGee
Chief Financial Officer

July 31, 2007
Date

FINANCIAL ASSUMPTIONS

Following are the assumptions made in estimating revenues available for the Regional Freeway System Life Cycle Program.

Bond Proceeds and Debt Service: The issuance of bonds secured by HURF revenues are assumed. Interest on the bond issues is assumed to be 5.0 % maximum. Bond maturities are assumed for up to 20 years. Bonds are amortized on a level debt service basis, and assume no refinancing or restructuring. No additional bonds secured by federal aid revenues are assumed.

Transportation Excise Tax: The forecast was developed during the October 2006 Risk Analysis session. Authority for and collection of the current transportation excise tax ended on December 31, 2005.

Highway User Revenues: The HURF revenue forecast reflects a probability level of attainment at 50 percent during the FY 2007-2008 period. The forecast also assumes that current law authorizing the MAG 12.6 % allocation and the Transportation Board policy for the MAG Special 2.6% allocation will remain in effect through FY 2015. Furthermore, it is assumed that highway user revenue tax rates will remain at current levels through FY 2015.

Federal Aid: The Federal Aid forecast assumes an annual average of \$34.1 million of MAG sub-allocated federal funds will be dedicated to the Regional Freeway System. Yearly federal funds forecasts are based on specific federal aid projects, and Grant Anticipation Notes (GANs) debt service requirements.

MAG HURF Exchanges: Assumes no additional MAG HURF exchanges. (Current local HURF exchanges consist of \$3.2 million on Red Mountain, and \$3.2 million on State Route 51)

Interest Income: Assumes a 3.0% investment rate on prior month's average cash balance.

Third Party Billing: Represents local funds and State federal funds for programmed projects.

Other Income: Includes building rent, sales of excess property and other miscellaneous income.

Discount Factor: Base year is FY 2007. An annual inflation factor is applied to the costs based on estimated construction and right of way cash flows. See Appendix A.

Regional Area Transit System: A portion of RARF monies are allocated to transit-related activities by A.R.S. 28-6305.B. The amount varies each year based on the Gross Domestic Product price deflator.

State Discretionary Funds: Highway funds in the form of HURF or Federal aid are included in the Regional Freeway Program. State Discretionary Funds are assumed to be \$32.3 million for FY 2007, \$41.1 million for FY 2008 and \$29.6 million for FY 2009.

Revenue Sources and Uses

The following pie chart depicts the sources and uses of Regional Freeway System revenues. The sources consist of the transportation excise tax (1/2 cent sales tax), highway user revenues (HURF) which are dedicated for controlled-access highways within the urban area, and various other revenues (reflected in the table on page eleven). The transportation excise tax makes up 58.0 percent of the total revenues, with HURF reflecting 18.0 percent and the remaining 24.0 percent consisting of various other funding sources, primarily federal aid.

The majority of funds, 83.1 percent, are used for design, right of way and construction. The remaining 16.9 percent is primarily for bond interest payments, a discount factor and Regional Public Transit Authority (RPTA) transfers.



* Construction includes design, right of way and construction

Note: This Certification does not include the additional revenues and program costs associated with the passage of Proposition 400.

Net Revenues

The following chart reflects a breakdown of the individual revenues and costs for the MAG Area Life Cycle Program. The center column depicts the change in revenues/costs from the previous certification. Net funds available have decreased \$5.8 million.

Net Revenue/ Funding Changes

(dollars in millions)

Revenues	Accel. Life Cycle Program		Change	Future Funding FY 2009 to 2015	Total Available Through FY 2015
	January 2007	July 2007			
HURF 15% (prior to 1986)	259.0	259.0	-	-	259.0
1/2 Cent Sales Tax	3,789.9	3,791.7	1.8	-	3,791.7
HURF Controlled Access	1,171.0	1,171.0	-	698.6	1,869.6
ADOT HURF Exchanges	18.0	18.0	-	-	18.0
MAG Federal Aid /1	444.3	444.3	-	238.7	683.0
Local HURF from MAG	6.4	6.4	-	-	6.4
State Discretionary /2	419.0	419.0	-	29.6	448.6
Federal Demonstration	8.9	8.9	-	-	8.9
Matching Funds	13.2	13.2	-	-	13.2
3rd Party	125.1	118.3	(6.8)	-	118.3
Interest Income /3	128.1	131.6	3.5	27.5	159.1
Miscellaneous Income	148.1	147.7	(0.4)	4.9	152.6
Subtotal: Revenues	6,531.0	6,529.1	(1.9)	999.3	7,528.4
Debt Service /4	(845.9)	(850.0)	(4.1)	(292.8)	(1,142.8)
SB 1201/GANs Debt Service /5	(85.8)	(82.1)	3.7	(43.7)	(125.8)
Discount Factor	(2.1)	(5.4)	(3.3)	(0.2)	(5.6)
RPTA Transfer	(148.9)	(148.9)	-	-	(148.9)
Other /6	(19.0)	(19.2)	(0.2)	6.0	(13.2)
Subtotal: Costs	(1,101.7)	(1,105.6)	(3.9)	(330.7)	(1,436.3)
Net Funds Available	\$5,429.3	\$5,423.5	(\$5.8)	\$668.6	\$6,092.1

Notes: Details may not add due to rounding. Dollars in millions.

/1 Includes STP and CMAQ.

/2 Includes State HURF transfer, Dedicated Hwy and Discretionary transfer to Grand Ave. and Agua Fria.

/3 Interest income is on a cash basis and assumes a 3.0% rate with 95% invested.

Interest income is dependent on fund balances.

/4 Includes estimated RARF, HURF, Planned HURF interest and debt service reserve interest.

/5 Interest only. GANs principal repaid with MAG federal aid.

/6 Includes election costs, staffing and insurance premiums.

Acceleration Financing

The "2007 Acceleration Plan" assumes the use of two new financing techniques: Grant Anticipation Notes (GANs) and the Highway Expansion and Extension Loan Program (HELP).

The Board has the authority to issue Grant Anticipation Notes pursuant to A.R.S. Title 28, Sections 7611 – 7617. GANs are a financing mechanism that leverages future receipts of Federal Highway funding.

In addition to GANs, acceleration of the Regional Freeway System will also be accomplished by utilizing the HELP program. HELP is Arizona's State Infrastructure Bank (SIB) and is a loan fund that is capitalized by federal and state dollars, as well as Board Funding Obligations (BFO).

Freeway Construction Costs and Changes

The design and construction cost estimates for the remaining Regional Freeway projects are thoroughly reviewed and updated by DMJM Harris, the General Consultant for the Regional Freeway System. DMJM Harris continually reviews and evaluates design and construction cost estimates. DMJM Harris also provides preliminary engineering services by developing Stage I (15%) and Stage II (30%) project documents for the Life Cycle Program. This effort helps define design and right of way requirements allowing ADOT to establish better cost estimates for design, right of way, utility relocations and construction. They further monitor the design consultants' cost estimates through the remaining design phases including the final estimates. DMJM Harris also evaluates contractor bids for Regional Freeway System construction projects to constantly monitor construction unit cost trends, such as the cost of concrete, asphalt, structures, drainage and other items used to establish project cost estimates.

The revenue forecast was developed during the October 2006 Risk Analysis Process. Panel members from various segments of the real estate and economic community were invited to discuss future risks and trends in revenues. The consultant updated construction cost forecast models and utilized the previous year's panel input to calculate discount factors. The consultant and Regional Freeway System office reviewed the discount factors and made adjustments to fit current cost trends. The information collected was used in the Risk Analysis Process to ensure that ADOT has sufficient resources to complete the Life Cycle Program by projecting the rate of construction cost growth for the Life Cycle period (See Appendix A for Discount Factors).

Roadway Construction

As of July 31, 2007 the Arizona Department of Transportation has opened 132.3 miles of regional freeways throughout the metropolitan area. There are 4.7 miles of freeway currently under construction on the Red Mountain corridor. The current Life Cycle Program will complete a total of 137.0 miles of freeways. Mileage has been updated from the latest information available, including Concept Reports, General Plans and Design Plans.

Regional Freeway System Construction

(Centerline miles)

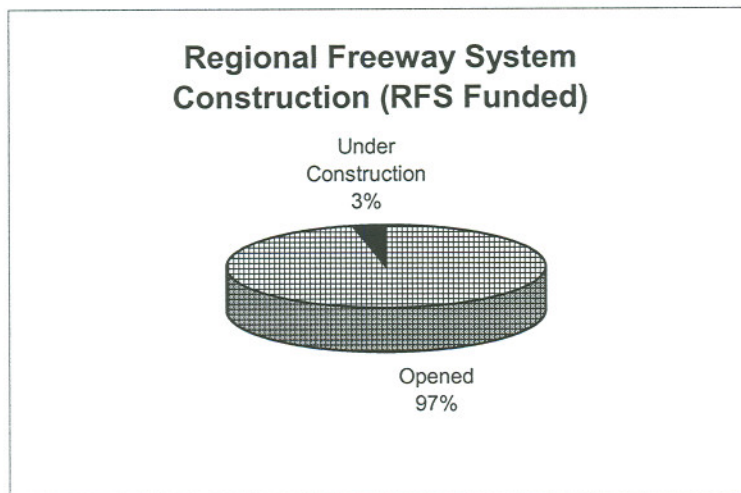
Corridor	Opened	Under Construction	Funded under RTP Freeway Program	Total
Agua Fria	22.0	0		22.0
Grand Ave (1)	4.5	0		4.5
Hohokam	3.1	0		3.1
Pima	28.2	0		28.2
Price	9.9	0		9.9
Red Mountain	26.2	4.7		30.9
Santan	24.8	0		24.8
Sky Harbor	2.4	0	0.9*	3.3
South Mountain	1.0	0	21.1**	22.1
State Route 51	10.2	0		10.2
Total	132.3	4.7	22.0	159.0

(1) - Intersection improvements. The Grand Ave mileage was defined and represents the eight intersections added to the program.

* The Sky Harbor Corridor from Superior Ave. to University Dr. construction project is now funded under the RTP Freeway Program.

** Funding included in the RTP Freeway Program.

Shaded Corridors indicate those that have been completed or funded under the RTP Freeway Program.



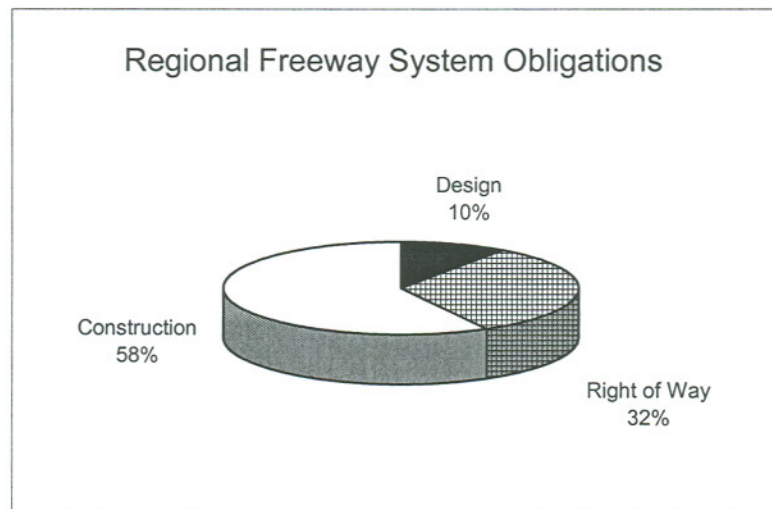
Obligations

Obligations by phase and corridor are listed in the table below. These figures are through June 30, 2007 and include obligations made prior to 1986 using 15% controlled access monies. Regional Freeway System obligations since the last certification increased \$37 million, from \$5.696 billion to \$5.733 billion.

Regional Freeway System Obligations Through June 30, 2007 (dollars in millions)

Corridor	Design/Utility	Right of Way	Construction	Totals
Agua Fria	\$64.1	\$260.0	\$356.7	\$680.8
Bob Stump Memorial Parkway (303L)	\$4.6	\$1.6	\$6.7	\$12.9
Grand Ave	\$24.0	\$71.8	\$145.9	\$241.7
Hohokam	\$22.2	\$61.1	\$105.7	\$189.0
Paradise*	\$4.1	\$33.1	\$0.0	\$37.2
Pima	\$117.9	\$500.0	\$694.7	\$1,312.6
Price	\$53.6	\$59.0	\$208.1	\$320.7
Red Mountain	\$82.3	\$364.0	\$827.0	\$1,273.3
Santan	\$45.9	\$303.5	\$676.1	\$1,025.5
Sky Harbor	\$9.4	\$18.2	\$34.0	\$61.6
South Mountain	\$11.1	\$32.0	\$43.3	\$86.4
State Route 51	\$27.0	\$146.8	\$205.7	\$379.5
System Wide	\$85.2	\$21.0	\$5.9	\$112.1
Total	\$551.4	\$1,872.1	\$3,309.8	\$5,733.3

* Paradise Corridor was deleted from the Regional Freeway System and right of way was sold.



Remaining System Costs

There remain \$9 million of costs associated with the Life Cycle Program, a decrease of \$37 million from the January 2007 Certification.

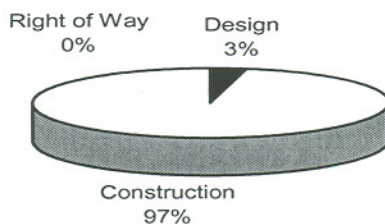
Regional Freeway System Costs (Funded)

(dollars in millions)

Corridor	Life Cycle Program			Total
	Design	Right of Way	Construction	
Agua Fria	\$0.0	\$0.0	\$0.0	\$0.0
Grand Ave	\$0.0	\$0.0	\$0.0	\$0.0
Hohokam	\$0.0	\$0.0	\$0.0	\$0.0
Paradise	\$0.0	\$0.0	\$0.0	\$0.0
Pima	\$0.3	\$0.0	\$3.6	\$3.9
Price	\$0.0	\$0.0	\$0.0	\$0.0
Red Mountain	\$0.0	\$0.0	\$5.4	\$5.4
Santan	\$0.0	\$0.0	\$0.0	\$0.0
Sky Harbor*	\$0.0	\$0.0	\$0.0	\$0.0
State Route 51	\$0.0	\$0.0	\$0.0	\$0.0
System Wide	\$0.0	\$0.0	\$0.0	\$0.0
South Mountain	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL	\$0.3	\$0.0	\$9.0	\$9.3

* The Sky Harbor Corridor from Superior Ave. to University Dr. construction project is funded under the RTP Freeway Program.

Remaining Regional Freeway System Costs (Funded)



Roadway Design and Studies

ADOT completed major Regional Freeway System roadway design. Landscape design continues on the various corridors.

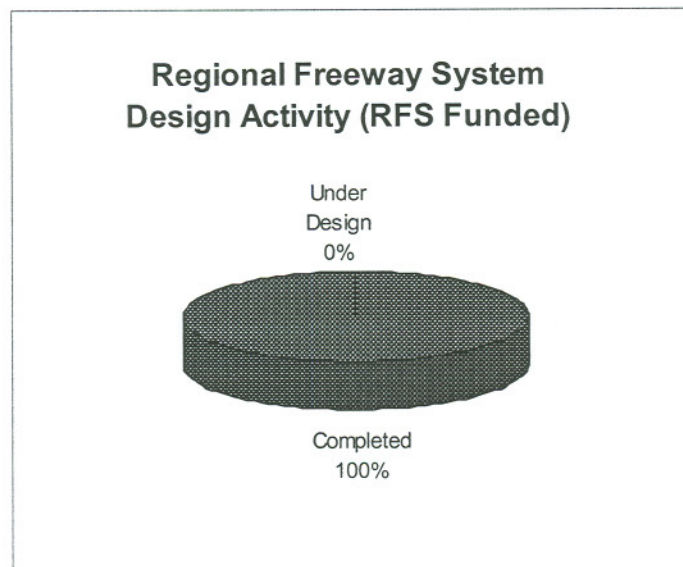
Regional Freeway System Design Activity (miles)

Corridor	Completed	Under Design	RTP Program	Total
Agua Fria	22.0	0.0	0.0	22.0
Grand Ave (1)	4.5	0.0	0.0	4.5
Hohokam	3.1	0.0	0.0	3.1
Pima	28.2	0.0	0.0	28.2
Price	9.9	0.0	0.0	9.9
Red Mountain	30.9	0.0	0.0	30.9
Santan	24.8	0.0	0.0	24.8
Sky Harbor*	2.4	0.0	0.9	3.3
South Mountain*	1.0	0.0	21.1	22.1
State Route 51	10.2	0.0	0.0	10.2
TOTAL	137.0	0.0	22.0	159.0

(1) - The Grand Avenue mileage was defined and represents the eight intersections added to the program.

* Funding included in the RTP Freeway Program

Shaded Corridors indicate those that have been completed or projects funded under the RTP Freeway Program.



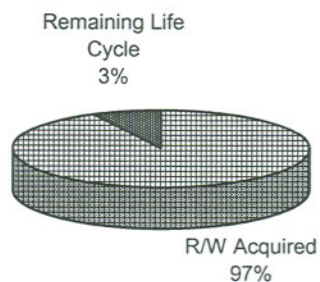
Right of Way

As of May 31, 2007, the Right of Way Group acquired 8,651 acres for the MAG Regional Freeway System. There remain 224 acres to be acquired.

Regional Freeway System Right of Way (acres)

Corridor	Acquired R/W	Remaining Life Cycle	Total
Agua Fria	1,481.2	0.0	1,481.2
Grand Ave	138.6	0.0	138.6
Hohokam	117.2	0.0	117.2
Pima	1,756.1	0.0	1,756.1
Price	452.2	0.0	452.2
Red Mountain	1,931.3	191.3	2,122.6
Santan	2,120.0	15.4	2,135.4
Sky Harbor	61.9	17.3	79.2
South Mountain	310.8	0.0	310.8
State Route 51	281.5	0.0	281.5
Total	8,650.8	224.0	8,874.8

Regional Freeway System Right of Way (Funded)





Janet Napolitano
Governor

Victor M. Mendez
Director

Arizona Department of Transportation
Intermodal Transportation Division
206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Sam Elters
State Engineer

LETTER OF CERTIFICATION

The Intermodal Transportation Division of the Arizona Department of Transportation (ADOT) has completed a six month review and update of costs associated with construction of the Regional Freeway System. Construction and design costs have been updated by our Valley Project Management Group; DMJM Harris, our General Consultant; and the consultants currently preparing final construction plans. Right of way costs have been updated by the ADOT Right of Way Group reflecting current appraisals and changes in right of way requirements. This information replaces data previously certified on January 31, 2007.

The construction and right of way cost data in this document provides an accurate accounting of costs incurred and includes a realistic estimate of future costs based upon current construction costs and real estate values. Estimated future costs are subject to changes in the economy and are affected by variables in national, state and localized market values and trends.

The results of our review provide an accurate basis upon which to schedule and fund the balance of the freeway construction program for Fiscal Year 2008. Today, the Regional Freeway Plan continues to be on schedule and within budget. However, the Department will continue to monitor all trends.

Sam Elters
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State Engineer

8/6/07
Date

Historical Overview of Funding

The Director of the Department of Transportation has been certifying the revenues available for construction of the Regional Freeway System Life Cycle Program since January 1992. Table 1 shows the revenue estimates and associated costs beginning with the January 1992 Certification.

Table 1
Historical Life Cycle Funds Available for Construction (dollars in millions)

Certification	Revenues				Costs			Revenue Deflation Amount	Available for Construction
	1/2 Cent Tax	HURF	Other	Total	Capital	Transit & Other	Total		
January 1992	\$2,922.0	\$1,001.0	\$314.0	\$4,237.0	(\$899.0)	(\$151.0)	(\$1,050.0)	(\$209.0)	\$2,978.0
July 1992	2,922.0	1,001.0	488.0	4,411.0	(895.0)	(151.0)	(1,046.0)	(340.0)	3,025.0
January 1993	2,937.0	987.0	499.0	4,423.0	(888.0)	(151.0)	(1,039.0)	(338.0)	3,046.0
July 1993	2,937.0	987.0	614.0	4,538.0	(872.8)	(150.0)	(1,022.8)	(364.5)	3,150.7
January 1994	2,991.2	989.0	723.0	4,703.2	(847.9)	(150.0)	(997.9)	(395.5)	3,309.8
July 1994	3,104.6	968.9	758.0	4,831.5	(847.9)	(151.0)	(998.9)	(353.8)	3,478.8
January 1995	3,228.0	964.0	995.0	5,187.0	(899.0)	(142.0)	(1,041.0)	(384.0)	3,762.0
July 1995	3,230.0	966.0	985.0	5,181.0	(896.0)	(142.0)	(1,038.0)	(380.0)	3,763.0
January 1996	3,339.0	978.0	987.0	5,304.0	(872.0)	(141.0)	(1,013.0)	(387.0)	3,904.0
July 1996	3,472.0	1,001.0	981.0	5,454.0	(869.0)	(141.0)	(1,010.0)	(412.0)	4,032.0
January 1997	3,643.0	1,001.0	1,007.0	5,651.0	(875.0)	(142.0)	(1,017.0)	(316.0)	4,318.0
July 1997	3,645.0	1,004.0	1,031.0	5,680.0	(814.0)	(140.0)	(954.0)	(341.0)	4,385.0
January 1998	3,607.1	1,027.2	1,020.1	5,654.4	(823.2)	(140.4)	(963.6)	(288.2)	4,402.6
July 1998	3,612.1	1,025.3	1,067.3	5,704.7	(820.9)	(144.7)	(965.6)	(276.9)	4,462.2
January 1999	3,684.5	1,020.6	1,092.2	5,797.3	(859.8)	(147.0)	(1,006.8)	(218.6)	4,571.9
July 1999	3,687.0	1,171.4	1,446.7	6,305.1	(1,073.2)	(158.8)	(1,232.0)	(217.7)	4,855.4
January 2000	3,795.2	1,195.9	1,496.2	6,487.3	(991.1)	(165.6)	(1,156.7)	(233.4)	5,097.2
July 2000	3,797.2	1,193.5	1,510.8	6,501.5	(968.1)	(159.2)	(1,127.3)	(233.2)	5,141.0
January 2001	3,825.7	1,192.0	1,493.9	6,511.6	(993.6)	(159.7)	(1,153.3)	(193.4)	5,164.9
July 2001	3,846.6	1,190.8	1,491.4	6,528.8	(1,020.1)	(159.2)	(1,179.3)	(188.9)	5,160.6
January 2002	3,817.9	1,177.7	1,537.2	6,532.8	(937.0)	(159.6)	(1,096.6)	(196.9)	5,239.3
July 2002	3,816.2	1,175.5	1,526.3	6,518.0	(953.5)	(161.2)	(1,114.7)	(147.0)	5,256.3
January 2003	3,763.8	1,173.5	1,455.5	6,392.8	(939.7)	(162.7)	(1,102.4)	(101.3)	5,189.1
July 2003	3,759.3	1,172.0	1,465.9	6,397.2	(934.3)	(162.9)	(1,097.2)	(62.7)	5,237.3
January 2004	3,750.5	1,173.6	1,490.1	6,414.2	(930.0)	(163.1)	(1,093.1)	(59.7)	5,261.4
July 2004	3,753.1	1,158.9	1,503.5	6,415.5	(930.3)	(162.4)	(1,092.7)	(31.5)	5,291.3
January 2005	3,753.3	1,170.1	1,516.2	6,439.6	(910.7)	(166.1)	(1,076.8)	(23.4)	5,339.4
July 2005	3,755.8	1,164.0	1,531.3	6,451.1	(902.2)	(165.7)	(1,067.9)	(8.4)	5,374.8
January 2006	3,782.1	1,163.0	1,523.7	6,468.8	(909.4)	(167.4)	(1,076.8)	(13.0)	5,379.0
July 2006	3,789.9	1,167.8	1,531.0	6,488.7	(907.1)	(168.2)	(1,075.3)	(8.3)	5,405.1
January 2007	3,789.9	1,171.0	1,570.1	6,531.0	(931.7)	(167.9)	(1,099.6)	(2.1)	5,429.3
July 2007	3,791.7	1,171.0	1,566.4	6,529.1	(932.1)	(168.1)	(1,100.2)	(5.4)	5,423.5

Historical Overview of Costs

The Director of the Department of Transportation has been certifying the cost to complete the Regional Freeway System (RFS) since January 1992. Table 2 shows the cost estimates for the system beginning with the January 1992 Certification.

Table 2
Historical RFS Cost Estimates (dollars in millions)

Certification	Life Cycle Program		Long Range Plan		Total System Cost
	Obligations	Cost to Complete	Cost to Complete	Unfunded Cost to Complete	
January 1992	\$1,778.0	\$1,114.0	\$0.0	\$2,953.0	\$5,845.0
July 1992	1,892.0	1,136.0	0.0	2,746.0	5,774.0
January 1993	2,037.0	983.0	0.0	2,776.0	5,796.0
July 1993	2,013.0	1,086.0	0.0	2,697.0	5,796.0
January 1994	2,063.0	1,043.0	0.0	2,719.0	5,825.0
July 1994	2,090.0	1,270.0	0.0	2,517.0	5,877.0
January 1995	2,165.0	1,383.0	0.0	696.0	4,244.0
July 1995	2,212.0	1,335.0	0.0	696.0	4,243.0
January 1996	2,363.0	1,285.0	0.0	738.0	4,386.0
July 1996	2,427.0	1,221.0	0.0	738.0	4,386.0
January 1997	2,622.0	1,444.0	414.0	388.0	4,868.0
July 1997	2,804.0	1,306.0	395.0	303.0	4,808.0
January 1998	2,904.0	1,382.9	412.3	315.7	5,014.9
July 1998	3,094.8	1,217.3	410.8	315.7	5,038.6
January 1999	3,297.3	1,195.4	541.9	495.9	5,530.5
July 1999	3,499.0	1,617.6	0.0	513.4	5,630.0
January 2000	3,572.1	1,825.2	0.0	515.0	5,912.3
July 2000	3,733.6	1,606.0	0.0	515.0	5,854.6
January 2001	3,897.7	1,543.8	0.0	629.1	6,070.6
July 2001	4,163.8	1,285.2	0.0	629.1	6,078.1
January 2002	4,259.2	1,346.6	0.0	643.1	6,248.9
July 2002	4,439.4	1,179.9	0.0	656.3	6,275.6
January 2003	4,530.9	1,069.8	0.0	656.3	6,257.0
July 2003	4,668.3	972.4	0.0	656.3	6,297.0
January 2004	4,928.7	718.7	0.0	990.4	6,637.8
July 2004	5,047.6	664.2	0.0	990.4	6,702.2
January 2005	5,243.1	389.1	0.0	990.4	6,622.6
July 2005	5,351.0	342.7	0.0	990.4	6,684.1
January 2006	5,654.3	71.0	0.0	990.4	6,715.7
July 2006	5,681.7	52.0	0.0	990.4	6,724.1
January 2007	5,696.2	46.4	0.0	990.4	6,733.0
July 2007	5,733.3	9.3	0.0	990.4	6,733.0

Appendix A

Discount factors representing the rate of construction cost growth are calculated using software developed by HDR-Hickling, Lewis and Brod Inc. Data from the October 2006 Risk Analysis Process (RAP) for construction was utilized to compute factors for design and construction. These factors represent potential cost growth which includes general inflation.

Cash Flow Discount Factors (percent)

For Design & Construction

For Right of Way

Fiscal Year	Design & Construction	Fiscal Year	Right of Way
2008	6.0	2008	6.0
2009	3.0	2009	3.0